INTRODUCTION:

India's majority of population lives in villages. Therefore it is rightly said that success of rural development models is very important for the development of nation's economy. Financial inclusion and micro finance are emerging as important in India for raising the living standards of poor in post LPG era. In pre LPG era several initiatives like nationalization of banks, priority sector lending, opening of branch network in rural areas, establishment of Regional Rural Banks and many others have been taken to develop the Indian rural economy by providing institutional credit to the rural poor.

In order to focus institutional credit to the rural poor the Regional rural banks (RRB) were established for the first time in India in the year 1975. The RRBs are meant for the development of rural economy by pooling credit gap especially to the rural poor by providing credit.

Historically, there have been four major problems with respect to the supply of credit to Indian countryside. First, the supply of formal sector credit to the countryside as a whole has been inadequate. Secondly, rural credit markets in India themselves have been very imperfect and fragmented. Thirdly, as the foregoing suggests, the distribution of formal sector credit has been unequal, particularly with respect to region and class, caste and gender in the countryside. Formal sector credit needs specially to reach backward area, income poor households, people of the oppressed castes and tribes, and women. Fourthly, the major source of credit to rural households, particularly income poor households, has been the informal sector. Informal sector loan typically are advanced at very high rates of interest. Further, the terms and conditions attached to these loans have given rise to an elaborate structure of coercion - economic and extra economic – in the countryside.

The policy instruments to achieve these objectives were to be first the expansion of the institutional structure of formal sector lending institution; secondly direct lending and thirdly concessional or subsidized credit. Public policy was thus

aimed not only at meeting rural credit needs but also at pushing out the informal sector and the exploitation to which it subjected borrowers. Rural credit policy in India envisaged the provision of a range of credit services including long-term and short term credit and large scale and small scale loan to rural households. The RRBs were established as a part of expanding institutional credit to rural poor. The banking policy of the Government has direct bearing on the growth or otherwise of RRBs and therefore the following paragraphs gives an overview of banking policy in India. However, they faced severe financial viability problems. Based on various recommendation, recently, the RRBs are restructured by merging various RRBs in the year 2005 in order to make them financial viable.

Gujarat is one of the industrially advanced states. For the sustainable progress of the state the development of rural economy is equally important. In this context this study intends to assess the performance of RRBs in Gujarat in post merger period of economic reforms. Evaluation of financial performance is important to ensure the viability of banks. However RRBs have been assigned the special role of development of rural economy by facilitating to the rural poor, the credit facilities for agriculture, trading, self-employment and so on of each religion. This study makes an attempt to evaluation the regional rural banks in Gujarat.

REVIEW OF LITERATURE:

For the study purpose various books, reports, articles and websites have been referred. Regional Rural Banks, as we have noted, were created in the 1970s exclusively to serve the credit needs of rural India, and specifically those individuals, social groups and regions most excluded by the formal system of credit. The problems that RRBs have been facing in the recent past are financial viability of RRBs (Mishra Biswa Swarup 2006), ban on recruitment to the staff of RRBs since 1992 (Jagan Mohan 2004), no permission to recruit agricultural science and engineering graduates (Shatty 2004, Jagan Mohan 2004). In word of Ramchandran and Swaminathan (2004), “Liberalization has had the effect of

crippling Regional Rural Banks, rendering them incapable of fulfilling their original mandate."

The other studies on RRBs since its inception are of two types, the first related to policy issues and secondly the micro level study of RRBs. The micro level studies covered wide range of issues like impact of RRBs on rural development (Tiwari 1975, Ramchandran 1992, Gupta 1992),personnel problems (Narayappa 1991), case study of RRBs for the state of Tamilnadu, Karnataka (1986), Gujarat (1987), Bihar, Rajasthan and case studies of RRB for particular district. Other related studies include Hundekar S.G (-----), Shekhar Himanshu (1997), Wadhva Charan (1980),

RESEARCH METHODOLOGY

Research problem:

RRBs are important banks for rural development. In the light of severe financial problems they faced, based on recommendations of expert committee, RRBs were restructured in the year 2005.

In Gujarat, in pre-merger period, nine RRBs were operating. They are now merged in three RRBs. This study makes an attempt to know the financial performance of these three RRBs in post merger period. Accordingly this study is embodied as "Study of Performance of Regional Rural Banks in Gujarat in Post Merger Period".

Objective of the study:

The objectives of the study are:

1. To Study of financial performance of individual Regional Rural Banks in Gujarat. These RRBs are Baroda Gujarat Gramin Bank, Dena Gujarat Gramin Bank, Saurashtra gramin Bank.
2. To make the comparison of financial performance of three RRBs of Gujarat.

Scope of the Study:

The study covers three Regional Rural banks in Gujarat.

Period of the Study;

The period of study covers post merger period i.e. year ended 2006 to year ended 2013.

Data Collection:

The study is based on secondary data. The financial data from annual reports of RRBs are taken. The physical annual reports were collected from respective banks.

Data Analysis:

As warranted by the study, the data analysis is done using trend analysis and ANOVA analysis.

Significance of the study:

This study is significant, as it contributes to the existing literature of RRBs, in terms of performance evaluation of RRBs in Gujarat. Earlier studies of RRBs related to Gujarat, include study of RRBs of Jamnagar district and role of RRBs in Gujarat in 1987.The present study covers the period of post merger period.

CHAPTER SCHEME:

The research work is divided into following chapters.

1. Introduction
2. Overview of theoretical framework of study on financial performance of Regional Rural Banks
3. Literature review
4. Research methodology
5. Findings of the study – for each Regional Rural Bank
6. Findings of the study – Comparison of three Regional Rural Banks
7. Discussion, Suggestions and area of further research.

Signature of Research Student **Signature of Research Guide**

(J.D.PATEL) (HEENA S. OZA)